

New GAO Report Confirms Impact of Bush Benefit Cut Plan

A new report by the Government Accountability Office (GAO), “Social Security Reform: Implications of Different Indexing Choices,” confirms that the middle-class benefit cuts outlined by President Bush as part of his proposal to privatize Social Security would have a dramatic and negative effect on benefit levels.

The Bush Proposal for Benefit Cuts

The GAO analyzed possible changes to the indexing of Social Security benefits – how they are adjusted over time to keep up with the economy. The analysis included the middle-class benefit cut proposed by President Bush, referred to as “progressive indexing” by supporters, which would index future benefits to prices rather than to wages for everyone who earned more than \$20,000 a year while working. Under his proposal, benefits would be reduced for 7 in 10 future workers. The President’s proposal was reiterated just last month in a letter from the Chief White House Social Security advisor to *USA Today*.

Key GAO Findings:

- **Changing the indexing of Social Security benefits is a benefit cut.** “Changes to the benefit formula...will have similar results regardless of whether the change is an indexing change or a straight benefit reduction” (p. 29). GAO also found that many foreign countries have used indexing changes to reduce benefits in their own social security systems (p. 18).
- **The Bush proposal would break the link between what people pay into the system and the benefits they earn; eventually, most workers would receive the same Social Security benefit no matter how much they paid in.** Under the indexing benefit cut endorsed by President Bush, “most individuals with earnings above a certain level would receive about the same level of benefits regardless of income” (p. 30). Further, GAO found that, over time, “the benefit formula will eventually flatten out and all individuals above a certain income level would receive the same level of benefits” (p. 32).
 - Thus, a worker earning \$2,000 a month would receive roughly the same benefit as one earning \$7,000 a month (p. 30).
- **The indexing change supported by President Bush would affect disabled workers and survivors and would likely disproportionately harm them.** Because the retirement, survivor and disability benefit programs share the same benefit formula, “any changes that affect retired workers will also affect survivors and disabled workers” (p. 42). Disability beneficiaries could be particularly hard-hit, since “the disabled worker’s options for alternative sources of income, especially earnings-related income, to augment any reduction in benefits are likely to be more limited than are those for the retired worker” (p. 42). Further, since disability beneficiaries receive benefits at younger ages than retirees, “disability beneficiaries could be subject to benefit changes for many years more than those beneficiaries requiring benefits only in retirement” (p. 42).